

Proposal: 1818(AG67) Debit Card Interchange Fees and Routing

Description:

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From: The Busler Group LLC, Michael M. Busler

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Subject: 1818(AG67) Debit Card Interchange Fees and Routing

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Comments:

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Proposal: Regulation II: Debit Card Interchange Fees and Routing [R-1818]

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Your comment: My name is Michael Busler and I am a professor of finance at Stockton University in New Jersey. I am submitting these comments in strong opposition to the proposed Regulation II to strengthen price controls on interchange fees for debit card transactions. I have written about the folly of government-imposed price control for decades. From rent control to President Nixon's imposition of wage and price controls in the 1970s to efforts to cap the price of gasoline, each effort to set maximum or minimum prices on goods has been a policy failure. The effort to limit the price of transaction fees on debit card transactions is just another example of rhetorically pleasing policy facing the dreaded real-life impact of reality. Since Congress forced the Federal Reserve to implement the first iteration of price caps on debit card fees through the enactment of the Durbin Amendment to the Dodd Frank Financial Reform legislation, consumers have been harmed and multi-billion-dollar big box retailers have profited. The new proposed Rule II will compound both the pain to consumers and the benefit to

retailers, turning good policy on its head. There is no disputing the real impact the Durbin Amendment has had on consumers: The Durbin Amendment forced banks and financial institutions to raise fees. The Durbin Amendment forced banks to restrict free-checking accounts. The Durbin Amendment forced banks to eliminate or restrict popular award programs such as frequent flyer miles. The Durbin Amendment chased up to one million lower income Americans out of the banking system. The Durbin Amendment was predicated on the promise that retailers would lower costs on customers. This never materialized. Even the Federal Reserve as acknowledged this reality. When the Durbin Amendment was foisted on the Federal Reserve, the Fed Board of Governors recognized it as problematic. Some even predicted that the benefits would not be recognized by consumers. Now, on its own devices, like a gambler on a losing spree, some on the Fed are proposing is upping the ante hoping for a different result. Tightening the price controls, as proposed by Regulation II, won't change the underlying realities. It won't reverse the policy failures of the Durbin Amendment. It will, however, hurt consumers more, driving up the cost of banking and driving more consumers out of the system. For these reasons, I urge the Federal Reserve to defeat this proposed rule.